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State of Nevada

Letter of Transmittal
Constitutional Officers
Organizational Chart
GFOA Certificate of Achievement
The Military in Nevada

Comprehensive Annual Financial Report

for the Fiscal Year
Ended June 30, 2003

Kathy Augustine
State Controller



Kathy Augustine State Controller



The Office of State Controller was created when Nevada became a state in 1864. The Controller is one of Nevada's six constitutional officers elected statewide to a four-year term.

Ms. Augustine was sworn in as Nevada's first female State Controller on January 4, 1999 and was elected to her second term last November. She serves as a member of the State Board of Finance, the Department of Transportation Board of Directors and the Executive Branch Audit Committee.

As Chief Fiscal Officer of the State, she is empowered to represent the State in fiscal matters and her position is critical in maintaining a checks-and-balance system in state finances.

The Controller ensures compliance with state fiscal and federal revenue laws. She administers the state accounting system in order to provide fair, accurate, consistent, and timely financial reporting in accordance with standards set forth by the Governmental Accounting Standards Board. Her office also prepares the Popular and Comprehensive Annual Financial Reports, pays employee salaries, processes claims against the state and administers the debt collection program.

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State of Nevada Office of State Controller

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December 15, 2003

To the Citizens, Governor and Legislators of the State of Nevada:

In accordance with Nevada Revised Statutes (NRS) 227.110 and the State Accounting Procedures Law (NRS 353.291 through 353.3245), I am pleased to present the State of Nevada Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2003. This is the second CAFR prepared in conformance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34. The objective of this statement is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund based financial statements. Again, I believe this presentation will provide better information to the users of the CAFR.

Introduction to the Report

Responsibility: The Controller's Office prepares the State of Nevada CAFR and is responsible for the accuracy, completeness and fairness of the presentation, including disclosures. To the best of our knowledge and belief, the information contained in the State of Nevada CAFR is accurate in all material respects and is reported in a manner that fairly presents the financial position and results of operations of the State's primary government and component units for which it is financially accountable. Additionally, this report includes all disclosures necessary to enable the reader to gain a reasonable understanding of Nevada's financial activities.

Format of Report: The CAFR is presented in four sections: Introductory, Financial, Statistical and Compliance. The Introductory Section includes this letter, a list of elected officials, our State government organizational chart and the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement. The Financial Section includes the Independent Auditor's Report; Management's Discussion and Analysis; the Basic Financial Statements, including government-wide financial statements and fund financial statements, together with notes to the financial statements; Required Supplementary Information, which presents budgetary comparison schedules, the schedule of funding progress and the schedule of infrastructure condition and maintenance data; and the supplemental financial data which includes combining financial statements and other budgetary schedules. The Statistical Section includes trend information on fiscal, social and demographic measures. The Compliance Section includes the Independent Auditor's Report on Compliance and on Internal Control.

Generally Accepted Accounting Principles: As required by State Accounting Procedures Law, this report has been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB). The State also voluntarily follows the recommendations of the GFOA for the contents of government financial reports, and participates in the GFOA's review program for the Certificate of Achievement for Excellence in Financial Reporting.

Independent Auditors: The independent accounting firm of Kafoury, Armstrong & Co. has audited the accompanying financial statements in accordance with generally accepted governmental auditing standards. Their opinion appears in the Financial Section of this publication. The goal of the independent audit is to provide reasonable assurance that the financial statements of the State of Nevada are free of material misstatement. We

received an unqualified opinion on the basic financial statements for this fiscal year.

The independent audit of the financial statements of the State of Nevada is part of a broader, federally mandated Single Audit designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the financial statements. This report can be found in the Compliance Section of the CAFR, as well as in the State of Nevada's separately issued Single Audit Report.

Internal Control Structure: The State of Nevada has established a comprehensive internal control framework that is designed both to safeguard the government's assets against loss from unauthorized use or theft and to properly record and adequately document transactions in order to compile information for the presentation of the State's financial statements in conformity with GAAP. Since the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

Many of the essential control features are decentralized. Consequently, the State relies upon the controls in place within the various state departments and agencies. NRS 353A.025 requires the head of each agency to review their internal controls on a periodic basis to determine if the agency is in compliance with the Uniform System of Internal Accounting and Administrative Controls adopted pursuant to NRS 353A.020. Agencies are required to report on, or before, July 1st of even-numbered years the status of their internal controls to the Department of Administration.

In addition to internal controls, the State also maintains budgetary controls to ensure compliance with the biennial financial plan enacted by the Legislature through the Appropriations and Authorized Expenditures Acts. The budgetary controls include the ability to encumber purchase orders to ensure appropriations are not exceeded.

Management's Discussion and Analysis: GAAP requires management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of Government

Background: The State of Nevada was admitted to the Union in 1864. Nevada is located just east of the State of California and is bordered by four other states. Approximately 87 percent of our 110,540 square miles of valleys and north-south mountain ranges are owned and managed by the federal government.

The State's economy and tax base are dependent upon the interrelated gaming and tourism industries, as well as upon federal activities, mining, warehousing, manufacturing and agriculture. Over the past decade, Nevada has experienced one of the fastest population growth rates in the nation. The 2000 census showed a 62 percent increase over 1990 with over 2.3 million residents now calling Nevada home.

The State operates under a constitution, ratified in 1864, which provides for a full range of services, including education, health and social services, highway maintenance and construction, law enforcement, public safety, business regulation, and resource development.

Reporting Entity: The State of Nevada reporting entity reflected in the State of Nevada CAFR, which is more fully described in Note 1 to the basic financial statements, conforms to the requirements of GASB Statement No. 14. The accounting and reporting principles contained in Statement No. 14 are based primarily upon the fundamental concept that publicly elected officials are accountable to their constituents, and that financial statements should emphasize primary government and permit financial statement users to distinguish between the primary government and its component units. State agencies and entities included in this report are those for which the State is considered financially accountable. There are several occupational licensing boards where the State's accountability is limited to State Officials making appointments to the licensing boards. The State does not exercise financial, or administrative control, over these boards, so they are excluded from this report. There are more than

a dozen state agencies that issue independent financial reports, including the Retirement Systems and the State's two discretely presented component units, the Colorado River Commission and the University and Community College System of Nevada (UCCSN). Copies of these independently audited reports are available upon request from the respective agency.

The State's reporting entity includes two discretely presented component units. A component unit is a legally separate entity which meets one of three conditions: the governing board is appointed by the primary government, the entity is fiscally dependent upon the primary government, or excluding the entity could potentially result in misleading financial reporting. The component unit should be blended with the primary government if they share a governing body, or if the component unit almost exclusively provides services, or benefits to the primary government; otherwise, it must be presented discretely.

The first discretely presented component unit is the Colorado River Commission. Seven commissioners, four of whom, including the Chairman, are appointed by the Governor, have broad statutory authority to govern the Commission, which is responsible for managing Nevada's interest in water and power resources available from the Colorado River. The Commission is empowered to receive, protect, safeguard and hold in trust all rights, interest and benefits in, and to, the waters of the Colorado River and such power generated thereon to which Nevada is entitled. Activities of the Commission are funded from revenue received from power and water contractors. The Commission also owns land for future development in both the Eldorado Valley and the Mohave Valley in Southern Nevada.

The second discretely presented component unit is the UCCSN. An elected eleven-member Board of Regents supervises the operation of the University System, comprised of two universities, one state college, four community colleges and a research institute. The University System receives significant financial support from the State. Enrollment data for the University System is available in Table 17 of the Statistical Section.

Budgetary Process: The State's budget document contains the financial policy of the executive department for each biennial period and shows the balanced relationship between total proposed expenditures and total anticipated revenues. It also includes a means of financing the proposals, historic expenditures data, detailed budget estimates, the State's bonded indebtedness and summary detail to support the general appropriations bill for all proposed expenditures of the two-year period. The Governor must submit his proposed budget for the Executive Branch to the State Legislature not later than the 14th day before each regular session, which convenes the first Monday in February every odd-numbered year. The Legislature enacts the budget through passage of the General Appropriations Act and the Authorized Expenditures Act. Once passed and signed, the budget becomes the State's financial plan for the next two fiscal years.

NRS 353.213 restricts appropriations by requiring the State to reserve not less than 5 percent and not more than 10 percent of the total of all appropriations for operations (including gaming but excluding any one-time appropriations) from the General Fund. NRS 353.288 requires a computed amount of the unrestricted fund balance at the close of each fiscal year be transferred to the "Rainy Day Fund". The "Rainy Day Fund" balance may not exceed 10 percent of the total appropriations for the year in which the transfer is being made, and the fund may only be expended if the actual revenues of the State fall short by more than 5 percent, or if the Governor **and** the Legislature declare a fiscal emergency.

Financial Information

Cash Management: As discussed more fully in Notes 1 and 3 to the basic financial statements, the State Treasurer invests temporarily idle cash in a statewide investment pool. All cash, except for monies in pension trust funds, the Unemployment Compensation Fund, specified in statute or Board of Finance approved State agency outside bank accounts and the University System are combined into the State Treasurer's investment pool. Uncommitted balances are invested in collateralized repurchase agreements, bankers' acceptances (only those eligible for discount with the Federal Reserve), commercial paper issued by U.S. corporations (rated A-1, P-1 or better), corporate bonds issued by U.S. corporations (rated A or better) and securities of the U.S. government with most maturities ranging from one day to five years.

The State Treasurer also operates a separate investment pool for local governments to take advantage of the greater interest earnings through pooled investments. The type of securities purchased, and the investment policies are similar, but somewhat more restrictive than those of the State pool.

Debt Management: The State Constitution limits the aggregate principal amount of the general obligation debt to 2 percent of the total reported assessed property value of the State. Additional disclosures regarding the State's long-term obligations are provided in Note 8 to the basic financial statements.

Risk Management: The State is self-financed against certain property and liability claims. The Public Employees' Benefit Program manages the Self-Insurance Fund for group health insurance. Revenues are generated through charges to employees and departments to pay for contracted insurance and self-funded plans. The Risk Management Division manages the Insurance Premiums Fund to provide fidelity, property and workers' compensation coverage. The Insurance Premiums Fund is self-insured for general, civil and vehicle liability claims.

Pension Trust Operations: The Public Employees' Retirement System (PERS) covers most public employees of the State and its political subdivisions. PERS net assets, held in trust for pension benefits, increased \$865 million in 2003 and the unfunded accrued liability, using the entry age normal cost method, increased \$450 million to \$3,658 million on June 30, 2003. The funded ratio decreased from 82.4 percent in 2002, to 81.3 percent in 2003. Under the present plan and actuarial method, the unfunded liability is being amortized over a period of twenty one years from July 1, 2003. Additional information is available in the separately issued financial statements of the PERS Actuarial Section.

Economic Outlook: The national economy appears to be on the mend. In fact, Global Insight, a nationally- and internationally-known forecasting firm under contract with the State of Nevada is forecasting real GDP growth of 4.1 percent in 2004 and 3.7 percent in 2005. Over the 2001-2003 period, growth is expected to have averaged less than 2 percent. The major concern is the ability of the economy to generate employment opportunities. Global Insight expects some improvement, with job growth of 1.6 percent in 2004 and 2 percent in 2005.

Against this backdrop, expectations are for Nevada to continue to also rebound. Certainly, a key development will be the extent to which the recent uptick in tourist and gaming trends can be maintained. Fortunately, continued growth in the gaming industry, especially in Southern Nevada, is unfolding. The Wynn Las Vegas property is under construction, as are a number of expansions to existing properties. In addition, the dining and entertainment sector continues to grow, providing additional incentives for tourists to visit the Silver State.

Most encouraging is the likelihood that Nevada will continue to turn in an extremely strong performance relative to other states. Specifically, Global Insight is forecasting average annual job growth of 2.9 percent over the 2003 - 2005 period, and 3 percent growth during the three-year period.

Major Initiatives

Since Governor Kenny C. Guinn's overwhelming reelection in 2002, he and his administration have continued to pursue several major initiatives that were central in his *State of the State Addresses* in 1999 and 2001, and which were echoed in his 2003 speech. Facing the continuing challenges of constricted revenue streams and an anticipated \$300 million budget deficit for the biennium ended June 30, 2003, the Governor acted aggressively to postpone and then eliminate \$28 million in authorized agency program appropriations for State Fiscal Year (SFY) 03; and continue the hiring freeze, eliminating more than 500 vacant positions. Further, he cut an already lean 2003-2005 Executive Budget proposal, refusing numerous agency requests; and affected other cost-reduction measures suggested by his on-going Fundamental Review of State Government, which saved an additional \$30 million over the biennium. He also directed another \$84 million be spent down from reserves, some \$30 million of which was generated by refinancing the State's debt. Finally, \$135 million was taken from the State's Rainy Day Fund, to help balance the budget through the end of SFY03. All of these actions were taken in addition to pruning approved agency program appropriations for SFY02 by more than \$19 million and ordering a \$38 million, 3 percent across-the-board cut from approved General Fund agency budgets in August of 2002.

Tax Structure: In the wake of making the painful budget cuts mentioned above, and receiving the recommendations generated by the Governor's Task Force on Tax Policy which was created by the 2001 Legislature, the focus of Governor Guinn's attention became even more centered on revising Nevada's inadequate tax system. Taking a page from "A Fiscal Agenda for Nevada", the report generated in 1990 following the legislatively approved study by Price Waterhouse and the Urban Institute, Governor Guinn proceeded to work with task force members, and other stakeholders, to design a broad-based business tax system that would support the long-term needs of Nevada's rapidly growing population, and protect its most vulnerable citizens. Nevada ranks at, or near the bottom, in many quality-of-life measures, so Governor Guinn proposed Nevada's citizens invest in improving those statistics. Ultimately, taxes were increased using a wide range of sources and the estimated revenue growth over the biennium is estimated at \$836 million.

Education: Particularly, Governor Guinn focused on addressing the chronic underfunding of the State's K-12 educational system which has experienced a student population increase of nearly 70 percent since 1990. Measures passed in 2003 anticipated an enrollment growth rate of 3.6 percent in each year of the 2003-2005 biennium. A 4.75 percent cost-of-living adjustment for local school district employees and an increase in the statewide average per-pupil support, from the current \$3,987 to \$4,424, was authorized over the biennium. However, Nevada's per pupil spending still ranks below the national average. Increased funding was also authorized in the areas of special education, remedial education, class-size management, early literacy intervention and professional development, textbook and educational materials, special teacher compensation and bonuses, and adult education. The State's combined appropriation for primary and secondary education over the 2003-2005 biennium rose to more than \$1.7 billion, which represents an increase of 31 percent. During the 19th Special Session, the State adopted provisions that will implement the requirements of the federal "No Child Left Behind Act of 2001", which requires each state to have a single, statewide system of accountability and also revises the teacher licensure provisions of the Nevada Education Reform Act.

Higher Education: Nevada's University and Community College System, which will receive approximately \$980 million in State funding over the next two years, will be subject to notable scrutiny. A performance audit is being conducted by the Legislative Auditor to analyze the system's administration, athletic programs, capital construction bidding practices and projects, enrollment data, investment practices and other statewide programs. A review of existing and planned programs to identify unmet needs, determine feasibility of reallocating resources within each institution and to determine means to achieve a more effective and efficient higher education system also will be conducted. In addition, the eligibility requirements for the successful Millennium Scholarship program were revised, increasing the grade point average recipients are required to achieve and maintain in order to qualify for and remain in the program. Finally, the transfer of credit hours between institutions for subsequent degree programs within the system was improved.

Health and Human Services: Governor Guinn supported measures to keep people with mental illness out of over-crowded emergency rooms, hospitals, and jails. Funding was approved to continue programs created by the State's first special court to deal with mentally ill offenders in Washoe County. The Program for Assertive Community Treatment (PACT) was expanded in Las Vegas, along with the establishment of a 24/7 emergency crisis team to work with hospitals and law enforcement to address mental health issues. A new 150-bed psychiatric hospital facility was approved to be built in Las Vegas, which should relieve pressure on the community's existing emergency rooms and mental health system. The hospital is scheduled to open by early 2006.

Nevada's Senior Rx prescription program was expanded by increasing and indexing the allowable maximum household income for couples. Increasing the household income limit, from \$21,500 to \$28,660, allowed additional low-income seniors to qualify for this important program. Funding was also increased to provide assistance to 12,000 enrollees by the end of June 2005, up from the current limit of 7,500 enrollees.

The transition of child welfare management from state oversight to the county level was continued in Washoe County (Northern Nevada) and authorized to be phased-in in Clark County (Southern Nevada). Funding included in the plan will provide uniform foster care rates and reduce caseloads for caseworkers.

Elderly and disabled citizens will benefit directly from the expansion of community and home-based programs aimed at keeping them independent and in their homes and communities, rather than in institutions thus saving

substantial public and private resources. Enhancement of other group care and Medicaid waiver programs for some of our most vulnerable citizens were passed to ensure that effected residents will be able to retain their autonomy as long as possible. In addition, the newly created Office of Disability Services will provide a much-needed focal point within state government where the disabled and their families can be better served.

Transportation: Following passage of ballot questions in two of Nevada's largest counties, Clark and Washoe, the Governor requested and received authorization for the issuance of approximately \$200 million in new transportation bonds to jump start highway construction projects throughout the State. Further, \$325 million in additional bonding authority was requested and approved in the biennial budget. These funds will be used, in part, to complete four major projects that will provide a shot in the arm for the State's economy, create thousands of new jobs, and ease horrific traffic problems in the State's more populated areas.

Yucca Mountain: Nevada continues its fight against the use of Yucca Mountain as an underground repository for high-level, radioactive waste. Six lawsuits have been filed by the State to block the project's completion. The actions challenge the Department of Energy's (DOE) final Yucca Mountain Environmental Impact Statement as inadequate, and various cases allege violation of the nation's Energy Policy Act, the National Environmental Policy Act, the Nuclear Waste Policy Act, and the Safe Drinking Water Act. The State contends the DOE should have fully and adequately addressed transportation of spent nuclear fuel and high-level radioactive waste to the site and that the transportation analysis that was done is legally and substantively deficient and entirely inadequate from Nevada's perspective. In addition, the State asserts that the U.S. government violated Nevada's rights under the U.S. Constitution when it singled out Yucca Mountain as the national repository over the veto of Governor Guinn. Potential negative impacts on the environment, public health, transportation systems, and water supplies are of utmost concern to the State and its citizens. Hearings on these lawsuits, which were originally scheduled for September 2003, have been delayed until January 2004. The law firm hired to argue Nevada's cases has also been retained by the State of Utah to fight the location of an aboveground nuclear waste storage facility in that state.

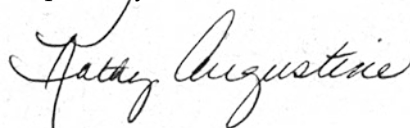
Other Information

GFOA Certificate of Achievement: The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Nevada for its CAFR for the fiscal year ended June 30, 2002. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements. A copy of the GFOA Certificate of Achievement is included in the Introductory section of the CAFR.

A Certificate of Achievement is valid for only a one year period. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

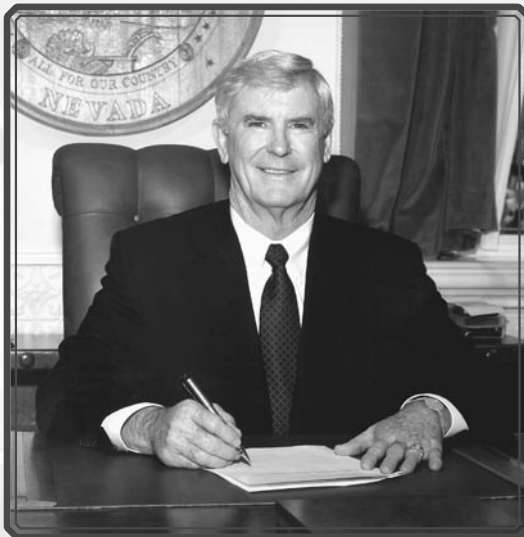
Acknowledgments and Conclusion: This report shows the commitment of the Nevada State Controller's Office staff and myself to inform and clearly demonstrate the financial condition of our State to our citizenry and the financial community. Considerable effort and cooperation has been exhibited by all State agencies, the Legislative, and the Judicial Branches of government. Without their efforts, this financial report could not have been produced. I extend my sincere appreciation to the leaders in our State for their stewardship, especially John P. Comeaux, Director, and William D. Anderson, Economist, Department of Administration, for their contribution of the major initiatives and economic outlook sections. I would also like to commend the efforts of our auditors, Kafoury, Armstrong & Co.

Respectfully Submitted,



Kathy Augustine
Nevada State Controller

State of Nevada Constitutional Officers



Kenny Guinn
Governor



Lorraine Hunt
Lieutenant Governor



Dean Heller
Secretary of State



Kathy Augustine
Controller



Brian Krollicki
Treasurer



Brian Sandoval
Attorney General

Organizational Chart



* Elected Officials

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Nevada

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

The Military in Nevada

The United States Military has always been important in Nevada. Since 1864, when President Lincoln granted Nevada statehood for the purpose of strengthening his war effort against the south, to modern times, the military has used Nevada soil to train and sharpen our military's fighting strength. The Army, Navy, Air Force and Marines have all come to the Silver State to hone their skills and develop the best fighting force in the world.

Naval Air Station (NAS) Fallon

NAS Fallon has existed since the early 1940's, when the government began implementing the Western Defense System to protect the west coast against a potential attack from Japan. As part of this system, runways were constructed in Fallon, Winnemucca, Minden and Lovelock. The Navy recognized the need to train their sailors and pilots on the tactics and weapons of the day. The Naval Auxiliary Air Station (N.A.A.S.) Fallon was born to train and prepare air groups.

At its peak, the N.A.A.S. recorded 21,000 take-offs and over 12,000 flight hours. After the Japanese surrender in 1945, the base began to receive lower status from the government. It began when N.A.A.S. was taken to "reduced operation status," and ended when the Air Station was dropped to "caretaker status" and the official designation of Naval Auxiliary Air Station was removed entirely. The station was then used by the Bureau of Indian Affairs as an airfield, and the swimming pool was inhabited by pigs from nearby local farms.

With the outbreak of war on the Korean front the Navy again needed a place to train pilots on their new jet-powered aircraft. By the early 1950's, the base had been upgraded to the status of Auxiliary Landing Field for the Air Station in Alameda, California. The bombing ranges that currently exist were also created that year.

The Navy was not the only military entity to call Fallon home. In 1956, the Air Force came to the base to set up the 858th Air Defense Group, a part of the United States early warning radar system. That battle group called Fallon home until 1975. It was not until the 1970's that the Air Station was upgraded to a major command post. On January 1, 1972, the government granted commission to Naval Air Station Fallon.





Currently, the base houses and operates a complete airfield facility that provides visiting squadrons with fuel, ordnance, air traffic control and berthing. Upgrades on the facility began in the early 1980's when a new air traffic control facility and hangar were erected. In 1984, the Navy decided to offer more training to its air crews, and thus the Naval Strike Warfare Center was created. This became the "graduate level" training program for all fighter pilots in the Navy. More programs like this were created, including the Tactical Aircrew Combat Training System and the Strike Fighter Squadron 127, which is the only permanently based squadron on the base.

It was during the 1990's that NAS Fallon was granted one of the most well known Navy programs, the Navy Fighter Weapons School or "Top Gun". The school moved from San Diego to Fallon in 1995, followed by the Carrier Airborne Early Warning Weapons School in 1996.

That same year, the Navy integrated aspects from all running programs at NAS Fallon into

a new program called the Naval Strike and Air Warfare Center, which was headed up by a two-star Admiral. This commitment to quality naval aviation continues to propel the base to train harder and keep America's naval forces prepared for action.

Hawthorne Army Depot

Hawthorne Army Depot is located in Mineral County, approximately 135 miles southeast of Reno. The depot covers an area of approximately 150,000 acres and surrounds the town of Hawthorne on three sides. The base is bounded on three sides by mountains, the Wassuk Mountain Range on the west, the Gillis Range on the east, and the Excelsior Mountains on the south. Walker Lake bounds the depot on the north.

Hawthorne was selected as a depot site for the Navy because of its arid climate, its close proximity to the west coast's Pacific Fleet and its ability to expand if needed. In 1930, the depot was officially commissioned as Naval Ammunition Depot (NAD) Hawthorne. Due to reorganization in the Department of Defense in 1977, responsibilities for support of munitions at the depot were transferred to the Army. The depot was then





renamed the Hawthorne Army Ammunition Plant, recognizing its mission of producing munitions. In 1994, with the production mission eliminated, the installation was renamed the Hawthorne Army Depot.

Hawthorne is now the world's largest ammunition storage facility. The depot has a proud history of serving the men and women of all Armed Services and has provided support to the Armed Forces during World War II, the Korean Conflict, the Vietnam War, Desert Storm and the recent conflicts in Kosovo, Afghanistan, and Iraq through

timely shipments of a critical commodity. In addition, this facility recycles obsolete munitions and is considered a center of excellence in the demilitarization of munitions using processes that minimally impact the environment. The installation has also had a history of training service members from various military branches in both the reserve and active components. That training support continues today with units from the Army, Navy and Marines conducting small exercises and using the depot's unique capabilities to perfect their war fighting skills.

Currently, the depot is being operated by Day & Zimmermann, a Hawthorne Corporation under a firm-fixed price contract. A small cadre of government employees is assigned to the depot, as well as Navy and Marine Corps detachments consisting of government civilians.



Nellis Air Force Base (AFB)

Nellis AFB began from inauspicious beginnings as a dirt runway, a water well and a small operations shack eight miles north of Las Vegas. It has now grown to house the Air Force's Air Combat Command, the "home of the fighter pilot".

In January of 1941, Las Vegas Mayor John Russell signed this prime property over to the U.S. Army Quartermaster Corps to be used as a gunnery school for the U.S. Army. This field supplied 600 gunners and 215 co-pilots every five weeks to the United States' effort in World War II. At the end of World War II, the base was closed. It reopened in 1949, and the airfield was renamed for fallen WWII pilot William Harrell Nellis, a Nevada resident killed in action during a combat mission over Luxembourg in 1944.

The base then took on a mission similar to its army roots, that of training Air Force pilots in the ways of aerial combat training. When conflict in the Korean Theatre was initiated, ace pilots were trained at Nellis, with stupendous success.

Air Force pilots trained at Nellis went on to fight in the skies over Korea, racking up a kill ratio of 14 to 1. The Air Warfare Center is responsible for air combat training for mission-ready aircrews throughout the world. Furthermore, the Center conducts follow-up operational testing, tactics development and evaluation using the latest weapons systems that equip combat U.S. Air Forces.

The 57th Wing also provides advance training for the combat Air Force. The wing is comprised of the 57th Operations Group, 57th Logistics Group, the US Air Force Weapons School, the US Air Ground Operations School (AGOS) and the US Air Force Air Demonstration Squadron "The Thunderbirds".



The groups provide the logistics and operations infrastructure to conduct advanced combat training at unit and individual levels. The Wing also has several operational units consisting primarily of unmanned aerial vehicles (UAVs) and HH-60 helicopters.

The 99th Air Base Wing (ABW) provides command guidance for all support agencies located at Nellis, or associated with the

center. The Wing is separated into three groups: the 99th Support Group, the 99th Logistics Group, and the 99th Medical Group. Each group provides a wide array of services including transportation, supply, morale, welfare, recreation and services, contracting, civil engineering, security police, mission support, and communications. It also provides the base's aerospace medicine, hospital services, dental services and nursing services. The Wing is responsible for the operation of the new 114-bed Air Force/Veterans Administration (VA) hospital located outside Nellis' North Gate.

Nevada Air National Guard

As a result of the National Security Act of 1947, the Nevada Air National Guard was established at Reno Air Force Base (Stead) on April 12, 1948. The P-51 Mustang Fighter unit was activated for 21 months during the Korean conflict in 1951 and 1952, and again in 1968 and 1969, for the Pueblo Crisis with the RF-101's.

On January 26, 1968, the Nevada Air National Guard was called to active duty as part of the national effort to meet the threat posed by the North Korean seizure of the U.S. Navy ship "USS Pueblo". During the next 16 months, Nevada Air Guardsmen served in Korea, Japan, Vietnam, Thailand, the Philippines, North Africa and 18 bases within the United States. During this tour, the 192nd Reconnaissance Squadron was awarded the 5th Air Force Outstanding Unit Award, only the second unit selected for this honor. All Nevada Air National Guard units were released from active duty on June 9, 1969.

The Nevada Air National Guard began the conversion to a new aircraft and mission in October 1995. The unit received its first C-130E aircraft on April 9, 1996. It then became an operational Airlift Wing in April 1997, and on April 1, 1998, it began the conversion to the airdrop mission.

The Nevada Air National Guard has taken part in rotations since October 1995 to Panama in support of drug interdiction operations for Southern Command. The unit assumed this mission when it converted to the C-130E in October 1995.

In 1997, the Nevada Air National Guard continued counter drug missions out of Panama. The Nevada Air Guard had the only Pacer Coin aircraft in the program. The special sensors and optics onboard provide photo reconnaissance capability. Their deployments complete, the Pacer Coin aircraft was retired on May 15, 1998. The mission was followed by deployment to Aviano Air Base, Italy, in support of the Bosnia operation for 104 days. The unit deployed one aircraft and 130 personnel for reconnaissance support to the region.

In May 1998, the Nevada Air National Guard was asked to send experienced individuals to Ecuador that could interface with the Ecuadorian Air Force, Army, and civilian Mapping agency personnel. The purpose was to train them in the planning and execution of photo reconnaissance to assist them in efforts to overcome the drug trafficking problems in their country. A week prior to the actual exercise to test the new methods and information, personnel from the Nevada Air National Guard deployed to Quito to conduct training and classes aimed at improving the skills of aircrew and photo interpreters. Classroom training as well as practical exercises were conducted for seven days.



The Nevada Air National Guard's 152nd Reconnaissance Group deployed to Bahrain in the Persian Gulf in December of 1990. The Air Guard's Desert High Rollers immediately began flying aerial reconnaissance missions to photograph Iraqi and Kuwaiti border targets for war preparation during Operation Desert Shield. The Guard flew bomb damage assessment missions the first day of Operation Desert Storm in their RF-4C Phantom II aircraft and eventually flew

over 1,000 combat hours and 350 combat flying missions. The unarmed Nevada aircraft took over 19,000 photographic prints using 300,000 feet of film without a single target lost from processing.

The Nevada Air National Guard's main duty now is primarily a wartime mission of providing rapid airlift and airdrop of cargo and troops in the Middle East. They also fly reconnaissance missions in support of military command and control operations, counter drug operations, disaster relief and photo mapping for federal and state agencies. The unit is tasked to deploy anywhere on the globe within an assigned response time to perform both day and night missions.

In addition to the wartime mission, the Nevada Air National Guard also has a peacetime mission to train combat ready aircrew and assigned personnel. The unit also provides support in local state emergencies such as fires, floods, riots and search and rescue operations. Any assigned mission is accomplished with eight assigned C-130E "Hercules" transport aircraft.



Nevada Army National Guard

The purpose of the Nevada Army National Guard is to provide trained and ready units for any contingency as directed by the National Command Authority, or the Governor. They recruit, develop and retain quality military and civilian personnel to support the Nevada Army National Guard during training and operations. The Army Guard currently occupies 11 Armories, a regional training site, an Army Aviation Support Facility, and a number of maintenance shops.

To improve responsiveness to federal, state and community requirements, the Nevada Army Guard has activated two new units, the 777th Engineer Utility Company in Henderson and the 440th Cable and Wire Company in Las Vegas. The Army Guard has provided equipment and troop support to numerous civilian authorities, including firefighting support for wild land fires and search and rescue missions. The Army Guard continues to support and participate in Project Challenge, an outreach behavioral and educational program for at risk youth, in partnership with the Arizona National Guard. The Army Guard recently deployed personnel for over six months in support of NATO operations in the Balkans.

The Nevada Army National Guard has participated in several community service projects, state fire fighting missions, support to other services and overseas deployments. In late 1999, the Nevada National Guard Chinook Wing participated in fire fighting operations during the fire season. The unit responded to several wildfires in what was one of Nevada's most damaging seasons. The unit dropped over 60,000 gallons of water during its operations.



Financial Section



An SH-60F Seahawk helicopter sweeps low over the Nevada desert. The Naval Strike and Air Warfare Center flies the helicopters to train naval aviators in Combat Search and Rescue tactics.